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- and -

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Counsel to the Debtors and Debtors
in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - X
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
: Jointly Administered
Debtors. :
: Obj. Deadline: June 28, 2010 at
: 5:00 p.m. (ET)
- - - - - X

**NOTICE OF PROPOSED SETTLEMENT AGREEMENT AND STIPULATION BY
AND AMONG THE DEBTORS, ALLIANCE ENTERTAINMENT LLC, NOW
KNOWN AS SOURCE INTERLINK DISTRIBUTION, LLC, AND SOURCE
INTERLINK MEDIA, LLC RESOLVING DEBTORS' OMNIBUS OBJECTIONS
TO CLAIMS AND OTHER RELATED MATTERS**

PLEASE TAKE NOTICE that, on August 10, 2009, the
United States Bankruptcy Court for the Eastern District of
Virginia (the "Bankruptcy Court") entered the Order
Pursuant To 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P.
2002, 9006, and 9019 Authorizing the Establishment of
Procedures to Settle Certain Pre-Petition and Post-Petition

Claims and Causes of Action Without Further Court Approval (the "Settlement Procedures Order") (Docket No. 4401).¹ A copy of the Settlement Procedures Order (without exhibits) is annexed as Exhibit 1.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Settlement Procedures Order, the above-captioned debtors and debtors in possession (collectively, the "Debtors")² are authorized to negotiate and enter into stipulation and settlement agreements with third parties, subject to the procedures set forth in the Settlement Procedures Order and outlined herein.

PLEASE TAKE FURTHER NOTICE that, at this time, the Debtors have entered into a stipulation and settlement agreement (the "Settlement Agreement") with Alliance Entertainment LLC, now known as Source Interlink Distribution, LLC ("Alliance"), and Source Interlink Media, LLC ("SIM"), a copy of which is annexed as Exhibit 2.

SUMMARY OF SETTLEMENT AGREEMENT TERMS³

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Settlement Agreement (defined below) or the Settlement Procedures Order.

² The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), PRAHS, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courchevel, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for Circuit City Stores West Coast, Inc. is 9250 Sheridan Boulevard, Westminster, Colorado 80031. For all other Debtors, the address was 9950 Mayland Drive, Richmond, Virginia 23233 and currently is 4951 Lake Brook Drive, Glen Allen, VA 23060.

³ This section of the notice constitutes a summary of the material terms of the Settlement Agreement and is being provided for convenience only and should not be relied upon in any way. All parties are strongly encouraged to review the Settlement Agreement in its entirety. In the event there is a conflict between the

(cont'd)

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(b) of the Settlement Procedures Order, the material terms of the Settlement Agreement are as follows:

- (i) This a Tier II Settlement.
- (ii) The Parties agree that (i) the Alliance 503(b)(9) Claim shall be valued at \$3,728,611.45, (ii) the Alliance Secured Claim shall be valued at and allowed in the face amount of \$1,028,153 (the "Allowed Alliance Secured Claim"), and (iii) the Alliance General Unsecured Claim shall be valued at \$16,075,599.63.
- (iii) The Parties agree that the Debtors' Alleged Receivables shall be valued at \$10,880,866.77 (the "Receivables").
- (iv) In full satisfaction and settlement of the Alleged Receivables and the Receivables, the Receivables shall be netted against (i) the Alliance 503(b)(9) Claim such that the 503(b)(9) Claim shall be reduced to and is hereby allowed as a priority claim under Bankruptcy Code section 503(b)(9) in amount of \$500,000 (the "Allowed Alliance 503(b)(9) Claim"), and (ii) the Alliance General Unsecured Claim such that the Alliance General Unsecured Claim shall be reduced to and is hereby allowed as a general unsecured non-priority claim in the amount of \$8,423,344.31 (the "Allowed Alliance General Unsecured Claim").
- (v) To the extent required, the automatic stay of 11 U.S.C. § 362 is lifted to permit the netting set forth in Paragraph (iv) above.
- (vi) The Parties further agree that (i) the SIM 503(b)(9) Claim shall be valued at and is hereby allowed in the face amount of \$354,693.30 as a priority claim under Bankruptcy Code section 503(b)(9) (the "Allowed SIM 503(b)(9) Claim"), (ii) the SIM General Unsecured Claim shall be valued at and is hereby allowed in the face amount of \$518,217.10 as a general unsecured non-priority claim (the "Allowed SIM General Unsecured Claim"), and (iii) the SIM

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notice and the Settlement Agreement, the Settlement Agreement shall control in all respects.

Administrative Expense Claim shall be valued at and is hereby allowed in the face amount of \$40,540.38 as an administrative expense pursuant to Bankruptcy Code Section 503(b)(1) (the "Allowed SIM Administrative Expense Claim").

- (vii) The Allowed Alliance 503(b)(9) Claim, the Allowed SIM 503(b)(9) Claim, and the Allowed SIM Administrative Expense Claim shall be deemed "allowed" claims against Circuit City Stores, Inc. and its estate in case number 08-35653 (KRH) for all purposes, including with respect to any confirmed plan of liquidation or in any chapter 7 case of such Debtor, shall be paid on the "effective date" of any plan or as required under any chapter 7 liquidation (as applicable), and shall not be subject to further objection, offset, reduction, discount, impairment or subordination.
- (viii) The Allowed Alliance Secured Claim shall be and hereby is deemed an "allowed" secured claim against Circuit City Stores, Inc. and its estate in case number 08-35653 (KRH) for all purposes as a secured claim pursuant to Bankruptcy Code Section 506(a), including with respect to any confirmed plan of liquidation or in any chapter 7 case of such Debtor, shall be paid in full on the "effective date" of any plan or as required under any chapter 7 liquidation (as applicable), and shall not (i) accrue interest or (ii) be subject to enhancement on account of interest or otherwise, or objection, offset, reduction, discount, impairment or subordination. The Adequate Protection Order and Replacement Lien shall remain in full force and effect unless and until payment in full is made on account of the Alliance Secured Claim.
- (ix) The Allowed Alliance General Unsecured Claim and the Allowed SIM General Unsecured Claim shall be and hereby are deemed "allowed" claims in case number 08-35653 (KRH) for all purposes, including with respect to any confirmed plan or as required under any chapter 7 liquidation (as applicable), and shall not be subject to further objection, offset, reduction, discount, impairment or subordination.
- (x) The Parties agree that the Circuit City Claim filed in the Source Bankruptcies shall be and hereby is deemed fully, finally and completely satisfied and is hereby disallowed in its entirety. Circuit City has no right (now or hereafter) to collect on the Circuit City Claim.

- (xi) The Parties agree that the Alternative Alliance 503(b)(9) Claims, the Alternative Alliance Secured Claims, and the Alternative Alliance General Unsecured Claims shall be and hereby are deemed disallowed in their entirety.
- (xii) The Parties agree that the Alternative SIM 503(b)(9) Claim, the Alternative SIM General Unsecured Claim, and the Alternative SIM Administrative Expense Claim shall be deemed and hereby are disallowed in their entirety.
- (xiii) For the avoidance of doubt and notwithstanding anything to the contrary in the Settlement Agreement, (i) the Allowed Alliance 503(b)(9) Claim, the Allowed Alliance Secured Claim, and the Allowed Alliance General Unsecured Claim (collectively, the "Allowed Alliance Claims") shall constitute Alliance's full and final allowed claims in the Debtors' cases and Alliance shall not file or be entitled to recover on account of any other claims, (ii) the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts, including (without limitation) the Alleged Receivables, from Alliance and (iii) all objections to the Alliance Claims shall be deemed resolved.
- (xiv) Additionally, and notwithstanding anything to the contrary in the Settlement Agreement, (i) the Allowed SIM 503(b)(9) Claim, the Allowed SIM General Unsecured Claim, and the Allowed SIM Administrative Expense Claim (collectively, the "Allowed SIM Claims") shall constitute SIM's full and final allowed claims in the Debtors' cases and SIM shall not file or be entitled to recover on account of any other claims, (ii) the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts, including (without limitation) the Alleged Receivables, from SIM and (iii) all objections to the SIM Claims shall be deemed resolved.
- (xv) Upon the Effective Date (defined hereafter), Alliance and SIM, on behalf of themselves, and their respective successors and assigns (collectively, the "Source Parties"), and the Debtors, on behalf of themselves, and each on behalf of their respective estates, successors, and assigns (including but not limited to any trustee appointed in any of these chapter 11 cases or any successor or subsequent bankruptcy cases, any receivers and/or other custodians appointed in any action or proceeding

involving the Debtors' property and the liquidating trustee under the Plan) (collectively, the "Debtor Parties"), hereby irrevocably and fully release one another from and against any and all claims or causes of action, whether now existing or later arising (including, but not limited to, causes of action under Bankruptcy Code sections 502, 542, 543, 544, 546, 547, 548, 549, 550, 553 and 558) arising from, in connection with, or relating to the Alliance Claims, the SIM Claims, the Alliance Product, the SIM Product, the Circuit City Claim, the Debtors' Alleged Receivables, the Receivables, and/or the Alliance and SIM Agreements (this paragraph, the "Releases").

- (xvi) For the avoidance of doubt and notwithstanding anything to the contrary in the Settlement Agreement, (1) the Releases are not intended as general releases or waivers and nothing in the Settlement Agreement shall be construed as such, (2) the Releases do not release the Debtors from the Allowed Alliance Claims, the Allowed SIM Claims, their obligations under the Adequate Protection Order and (3) Alliance, SIM and the Debtors specifically acknowledge and agree that the Settlement Agreement is not intended to, and does not, release or otherwise affect in any way any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or causes of action) now or hereinafter asserted in, based on, or relating to the multi-district litigation captioned In re: TFT-LCD (Flat Panel) Antitrust Litigation, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding").
- (xvii) The Alliance Agreements shall be deemed terminated and rejected as of the Effective Date, and no Party shall have any liability or obligation under the Alliance Agreements.
- (xviii) The SIM Agreement shall be deemed terminated and rejected as of the Effective Date, and no Party shall have any liability or obligation under the SIM Agreements.
- (xix) The Parties further agree that upon the Effective Date, the Source Plan Objection shall be deemed withdrawn.
- (xx) The Parties agree that the Settlement Agreement finally resolves the Alliance Claims, the SIM Claims, the Omnibus Objections, the Responses, the Circuit

City Claim, the Source Plan Objection, and the Debtors' Alleged Receivables in their entirety.

TIME AND PLACE FOR FILING OBJECTIONS TO THE PROPOSED AGREEMENT OR REQUESTING ADDITIONAL INFORMATION OR TIME TO CONSIDER THE SETTLEMENT AGREEMENT

PLEASE TAKE FURTHER NOTICE that, in accordance with paragraph 10(c) of the Settlement Procedures Order, any Notice Party may object (each an "Objection") to or request additional time or information (each a "Request") to evaluate the Settlement Agreement.

PLEASE TAKE FURTHER NOTICE that all Objections and Requests must be in writing and received by counsel to the Debtors and counsel to the Official Committee of Unsecured Creditors (see information below) by no later **June 28, 2010 at 5:00 p.m. (ET)** (the "Objection Deadline"). Each Objection or Request must be served on (i) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcguirewoods.com) and Daniel F. Blanks (dblanks@mcguirewoods.com), and (ii)(a) Pachulski Stang Ziehl & Jones LLP, 10100 Santa Monica Blvd., 11th Floor, Los Angeles, California 90067-4100, Attn: Jeff Pomerantz (jpomerantz@pszjlaw.com) and (b) 780 Third Avenue, 36th Floor, New York, NY 10017-2024, Attn: Robert Feinstein (rfeinstein@pszjlaw.com).

PLEASE TAKE FURTHER NOTICE that if you object to the Settlement Agreement and you do not want the Debtors to proceed with the Settlement Agreement or you want the Court to consider your views concerning the Settlement Agreement, you or your attorney must also:

file in writing with the Court, Clerk of Court, United States Bankruptcy Court, 701 East Broad Street, Suite 4000, Richmond, Virginia 23219, or electronically (www.vaeb.uscourts.gov), a written Objection pursuant to Local Bankruptcy Rule 9013-1(H). If you mail your Objection to the Court for

filing, you must mail it early enough so the Court will **receive it on or before June 28, 2010 at 5:00 p.m. (ET).**

Any Objection to the Settlement Agreement must be submitted by the method described in the foregoing sentence. Objections will be deemed filed only when actually received at the address listed above.

PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(d) of the Settlement Procedures Order, if a Notice Party submits a Request, only such Notice Party shall have the later of (i) an additional five (5) days to object to the Agreement or (ii) in the case of a Request for additional information, three (3) days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one Request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

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PLEASE TAKE FURTHER NOTICE that, pursuant to paragraph 10(c) of the Settlement Procedures Order, if no Objection or Request is filed and served upon counsel for the Debtors and counsel for the Committee of Unsecured Creditors or counsel to the Debtors and counsel for the Committee of Unsecured Creditors do not receive a Request prior to the expiration of the Objection Deadline (as may be extended by Requests, if any, the **Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.**

Dated: June 14, 2010
Richmond, Virginia

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- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley
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Sarah B. Boehm (VSB No. 45201)
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901 E. Cary Street
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(804) 775-1000

Counsel for Debtors and Debtors
in Possession

EXHIBIT 1

(Settlement Procedures Order w/out Exhibit(s))

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Counsel to the Debtors and
Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

- - - - - x
:
In re: : Chapter 11
:
CIRCUIT CITY STORES, INC., : 1Case No. 08-35653 (KRH)
et al., :
:
Debtors. : Jointly Administered
- - - - - x

**ORDER UNDER 11 U.S.C. §§ 105 AND 363, AND FED. R. BANKR.
P. 2002, 9006, AND 9019 AUTHORIZING THE ESTABLISHMENT OF
PROCEDURES TO SETTLE CERTAIN PRE-PETITION AND POST-
PETITION CLAIMS AND CAUSES OF ACTION WITHOUT FURTHER COURT
APPROVAL**

Upon the motion (the "Motion")¹ of the Debtors
for entry of an order, pursuant to sections 105 and 363

¹ Each capitalized term not otherwise defined herein shall have the meaning ascribed to it in the Motion.

of title 11 of the United States Code (the "Bankruptcy Code") and Rules 2002, 9006 and 9019 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), for entry of an order authorizing the establishment of procedures to settle certain pre-petition and post-petition claims and causes of action without further court approval; and the Court having reviewed the Motion; and upon the record herein; and after due deliberation thereon; and good and sufficient cause appearing therefor, it is hereby:

FOUND, DETERMINED, AND CONCLUDED that:

1. Based on the affidavits of service filed, due, proper and adequate notice of the Motion has been given in accordance with the Case Management Order and that no other or further notice is necessary;
2. The Notice Procedures are fair, reasonable, and appropriate.
3. The Settlement Procedures are fair reasonable, and appropriate.
4. The Notice and Settlement Procedures were proposed in good faith.

5. Pursuant to Bankruptcy Rule 9006, cause exists to shorten the applicable notice period in Bankruptcy Rule 2002(a)(3) with respect to each Settlement.

6. Upon the expiration of the applicable Notice Period without an objection or upon resolution of any filed objection after the applicable Notice Period, each Settlement that complies with the Notice and Settlement Procedures shall be deemed (i) fair and reasonable and (ii) to have satisfied the standards under Bankruptcy Code sections 105 and 363 and Bankruptcy Rule 9019.

7. The relief requested in the Motion is in the best interests of the Debtors, their estates, their creditors, and other parties in interest.

ORDERED, ADJUDGED, AND DECREED that:

8. The Motion is GRANTED.

9. The Debtors are authorized, but not directed, to compromise and settle Disputed Claims and Cause of Action and Receivable Claims in accordance with the Settlement Procedures.

10. The Debtors shall provide key parties in interest with notice of each proposed Settlement. The Notice Procedures are as follows:

(a) The Debtors shall give written notice, by email or facsimile, if available, or overnight courier if email or facsimile are not available, of each proposed Settlement (the "Settlement Notice") to (i) the United States Trustee, (ii) counsel for the Committee of Unsecured Creditors, (iii) any party to the Settlement, and (iv) the Core Group and 2002 List (collectively, the "Notice Parties").

(b) The Settlement Notice (or the Settlement Agreement) shall specify (i) the identity of the other party to the Settlement, (ii) a summary of the dispute with such other party, including a statement of the Debtors' reasonable estimate of the Settlement Claim amount and the basis for the controversy, (iii) an explanation of why the Settlement of such Settlement Claim is favorable to the Debtors, their estates, and their creditors, and (iv) a copy of the proposed settlement agreement ("Settlement Agreement").

(c) The Notice Parties may object to or request additional time to evaluate the proposed Settlement in writing by no later than 5:00 p.m. (ET) (i) five (5) days for both Tier I Disputed Claims and Tier I Cause of Action and Receivable Claims or (ii) ten (10) days for both Tier II Disputed Claims and Tier II Cause of Action and Receivable Claims (each an individual "Notice Period") and serve such objection or request on counsel to the Debtors and counsel for the Creditors' Committee on or before the

expiration of the applicable Notice. If the Debtors are compromising more than one Disputed Claim and/or Cause of Action and Receivable Claim, the Tier II Notice Period shall apply to such Settlement. If no objection or written request is filed and served upon counsel for the Debtors and counsel for the Creditors' Committee or counsel to the Debtors does not receive a written request for additional information and/or additional time prior to the expiration of the applicable Notice Period, the Debtors shall be authorized to enter into and consummate the Settlement Agreement without further order of the Court or any other action by the Debtors.

(d) If a Notice Party provides a written request to counsel for the Debtors for additional information or time to evaluate the proposed Settlement, only such Notice Party shall have the later of (i) an additional five (5) days to object to the proposed Settlement or (ii) in the case of a request for additional information, three days after receipt by the Notice Party of the additional information requested. Each Notice Party may only make one request for additional time per Settlement Agreement, unless otherwise agreed to by the Debtors in their sole discretion.

(e) If a Notice Party objects to the proposed Settlement within the defined Notice Period for that particular Tier of Disputed Claim or Cause of Action and Receivable Claim, (or the additional period in the case of a Notice Party that has timely requested additional time or information to evaluate the proposed Settlement) (the "Objection Deadline") and the Debtors and such objecting Notice Party are unable to reach a consensual resolution,

the Debtors will not take any further action to consummate the proposed settlement without first obtaining Court approval for that specific Settlement. The Debtors are authorized to schedule the Settlement for a hearing at the next scheduled omnibus hearing following the Objection Deadline (or any subsequent hearing) without filing a separate motion or other pleading.

(f) If the Objection Deadline has passed and no objection has been filed with the Court or request for additional time or information has been received by the Debtors, the Debtors are authorized, but not directed, to file a "Certificate of No Objection" with the Court; provided, further, that each such Certificate shall set forth a statement that no objection was filed or received (or if any objection was filed or received, such objection has been resolved) and no request for additional time or information was received or, if such request was received, the additional period of review has expired.

(g) An objection will be considered properly filed and served only if it is filed with the Court, and actually received by the following parties on or before the Objection Deadline: (i) Clerk of the Bankruptcy Court, United States Bankruptcy Court, 701 East Broad Street - Room 4000, Richmond, VA 23219, (ii) the attorneys for the Debtors, (a) Skadden, Arps, Slate, Meagher & Flom, LLP, One Rodney Square, P.O. Box 636, Wilmington, DE 19899, Attn: Gregg M. Galardi (gregg.galardi@skadden.com) and Ian S. Fredericks (ian.fredericks@skadden.com) and (b) McGuireWoods LLP, One James Center, 901 E. Cary Street, Richmond, VA 23219, Attn: Douglas M. Foley (dfoley@mcguirewoods.com)

and Daniel F. Blanks
(dblanks@mcguirewoods.com), and (iii) (a)
Pachulski Stang Ziehl & Jones LLP, 10100
Santa Monica Blvd., 11th Floor, Los Angeles,
California 90067-4100, Attn: Jeff Pomerantz
(jpomerantz@pszjlaw.com) and (b) 780 Third
Avenue, 36th Floor, New York, NY 10017-2024,
Attn: Robert Feinstein
(rfeinstein@pszjlaw.com).

(h) All time periods set forth in the
Notice Procedures shall be calculated in
accordance with Bankruptcy Rule 9006.

11. Subject to the Notice Procedures, the
Debtors are authorized to compromise and settle Disputed
Claims as follows:

(a) Tier I With respect to Disputed
Claims, the Debtors, in their sole
discretion, may negotiate, execute and
consummate written Settlement Agreements
with the Claimants that will be binding on
the Debtors and their estates without
further action by this Court. The Debtors
may, in full settlement of such Disputed
Claims, grant any Claimant an allowed claim
of an agreed upon priority or administrative
expense claim, as applicable, in an amount
not to exceed \$500,000.

(b) Tier II With respect to Disputed
Claims, the Debtors, in their sole
discretion, may negotiate, execute and
consummate written Settlement Agreements
with the Claimants that will be binding on
the Debtors and their estates without
further action by this Court. The Debtors
may, in full settlement of such Disputed
Claims, grant any Claimant an allowed claim
(priority or non-priority, as the case may

be) or administrative expense claim, as applicable, in an amount greater than \$500,000.

12. Subject to the Notice Procedures, the Debtors are authorized to compromise and settle Cause of Action and Receivable Claims as follows:

(a) Tier I With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value (i) equal to or greater than seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount and (ii) equal to or less than \$1,000,000.

(b) Tier II With respect to pre- and post-petition Cause of Action and Receivable Claims, the Debtors, in their sole discretion, may negotiate, execute and consummate written Settlement Agreements with third parties that will be binding on the Debtors and their estates without further action by this Court. The Debtors may, in full settlement of such Cause of Action and Receivable Claims, compromise or settle a Cause of Action and Receivable Claim resulting in a cash payment to the Debtors' estates of a value equal to (i) more than \$1,000,000 or (ii) less than

seventy-five percent (75%) of the Debtors' original reasonable estimate of the Cause of Action and Receivable Claim amount.

13. To memorialize the Settlements, the Debtors are authorized in their sole discretion, but not directed, to enter into Settlement Agreements substantially in the form of Exhibit A attached hereto; provided, further, that the material terms of each Settlement Agreement may vary depending upon the specific facts and circumstances of each Settlement and nothing herein or therein shall be construed as impairing the Debtors' ability to tailor the form of the Settlement Agreement to each specific Settlement.

14. The Debtors are authorized, but not directed, to resolve all of the Disputed Claims and Cause of Action and Receivable Claims of a single party in a single Settlement Agreement.

15. The Debtors shall provide written notice to Kurtzman Carson Consultants LLC ("KCC"), the Debtors' authorized claims and noticing agent, with respect to any proof of claim settled pursuant to these Settlement Procedures; provided, further, that, if applicable, KCC

is authorized and directed to amend the claims register accordingly without further order of the Court.

16. Following entry of this Order, unless otherwise agreed to between the Debtors and the Creditors' Committee, the Debtors' advisors shall provide weekly updates concerning ongoing settlement discussions to the Creditors' Committee's advisors. These updates shall include, without limitation, non-privileged information mutually agreed to among the parties' advisors. Once the Debtors reach an agreement in principle with a third party, the Debtors shall share the material terms of the Settlement with the Creditors' Committee's advisors. All information shared with the Creditors' Committee's advisors shall be deemed shared subject to the existing confidentiality agreement with the Debtors.

17. Assuming no objection has been filed by the applicable Objection Deadline, immediately after the expiration of the Notice Period (or, in the case of a filed objection that has been resolved, upon filing of a Certificate of No Objection) the Settlement Agreement

shall be deemed to be a final order of this Court for all purposes, including for purposes of any appeal.

18. In the event there is an inconsistency between the Motion and this Order, this Order shall control.

19. The requirement under Local Rule 9013-1(G) of the Local Rules for the United States Bankruptcy Court for the Eastern District of Virginia to file a memorandum of law in connection with the Motion is hereby waived.

20. This Court retains jurisdiction to hear and determine all matters arising from or related to the Motion, this Order or any Settlement.

Dated: Richmond, Virginia
_____, 2009

UNITED STATES BANKRUPTCY JUDGE

WE ASK FOR THIS:

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Ian S. Fredericks, Esq.
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- and -

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- and -

/s/ Douglas M. Foley
Dion W. Hayes (VSB No. 34304)
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901 E. Cary Street
Richmond, Virginia 23219
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Counsel to the Debtors
and Debtors in Possession

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

Pursuant to Local Bankruptcy Rule 9022-1(C), I
hereby certify that the foregoing proposed order has
been endorsed by or served upon all necessary parties.

/s/ Douglas M. Foley
Douglas M. Foley

EXHIBIT 2

(Settlement Agreement)

Gregg M. Galardi, Esq.
 Ian S. Fredericks, Esq.
 SKADDEN, ARPS, SLATE, MEAGHER &
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Counsel to the Debtors and
 Debtors in Possession

IN THE UNITED STATES BANKRUPTCY COURT
 FOR THE EASTERN DISTRICT OF VIRGINIA
 RICHMOND DIVISION

- - - - - x
 In re: : Chapter 11
 :
 CIRCUIT CITY STORES, INC., : Case No. 08-35653 (KRH)
et al., :
 :
 Debtors. : Jointly Administered
 - - - - - x

**SETTLEMENT AGREEMENT AND STIPULATION BY AND AMONG THE
 DEBTORS, ALLIANCE ENTERTAINMENT LLC, NOW KNOWN AS SOURCE
 INTERLINK DISTRIBUTION, LLC, AND SOURCE INTERLINK MEDIA,
 LLC RESOLVING DEBTORS' OMNIBUS OBJECTIONS TO CLAIMS AND
 OTHER RELATED MATTERS**

This settlement agreement and stipulation
 (this "Agreement") is entered into by and among the
 above-captioned debtors and debtors in possession (the

"Debtors"),¹ on the one hand, and Alliance Entertainment LLC, now known as Source Interlink Distribution, LLC ("Alliance"), and Source Interlink Media, LLC ("SIM" and together with Alliance "Source"), on the other hand. For purposes of this Agreement, Alliance, SIM, and the Debtors are each referred to as a "Party" and are collectively referred to as the "Parties".

GENERAL BACKGROUND

WHEREAS, on November 10, 2008 (the "Petition Date"), the Debtors each filed a voluntary petition in the United States Bankruptcy Court for the Eastern District of Virginia (the "Court") under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"); and

¹ The Debtors and the last four digits of their respective taxpayer identification numbers are as follows: Circuit City Stores, Inc. (3875), Circuit City Stores West Coast, Inc. (0785), InterTAN, Inc. (0875), Ventoux International, Inc. (1838), Circuit City Purchasing Company, LLC (5170), CC Aviation, LLC (0841), CC Distribution Company of Virginia, Inc. (2821), Circuit City Properties, LLC (3353), Kinzer Technology, LLC (2157), Abbott Advertising Agency, Inc. (4659), Patapsco Designs, Inc. (6796), Sky Venture Corp. (0311), Prahs, Inc. (n/a), XSStuff, LLC (9263), Mayland MN, LLC (6116), Courcheval, LLC (n/a), Orbyx Electronics, LLC (3360), and Circuit City Stores PR, LLC (5512). The address for the Debtors is 4951 Lake Brook Drive, Suite #500, Glen Allen, VA 23060.

WHEREAS, the Debtors have continued as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code; and

WHEREAS, on November 12, 2008, the Office of the United States Trustee for the Eastern District of Virginia appointed a statutory committee of unsecured creditors (the "Creditors' Committee"); and

WHEREAS, to date, no trustee or examiner has been appointed in these chapter 11 cases; and

WHEREAS, on January 16, 2009, the Court authorized the Debtors, among other things, to conduct going out of business sales at the Debtors' remaining 567 stores pursuant to an agency agreement (the "Agency Agreement") between the Debtors and a joint venture, as agent (the "Agent"). On January 17, 2009, the Agent commenced going out of business sales pursuant to the Agency Agreement at the Debtors remaining stores. As of on or about March 8, 2009, the going out of business sales concluded; and

WHEREAS, on September 29, 2009, the Debtors and the Creditors Committee filed the First Amended Joint Plan of Liquidation of Circuit City Stores, Inc.

and its Affiliated Debtors and Debtors In Possession and its Official Committee of Creditors Holding General Unsecured Claims (the "Plan"); and

WHEREAS, the associated disclosure statement (the "Disclosure Statement") was approved on September 24, 2009, and confirmation on the Plan has been adjourned and a status conference is scheduled for June 8, 2010; and

WHEREAS, generally, the Plan provides for the liquidation of the Debtors under chapter 11 of the Bankruptcy Code; and

WHEREAS, the Debtors are authorized under the Court's Order Under 11 U.S.C. §§ 105 and 363, and Fed. R. Bankr. P. 2002, 9006, and 9019 Authorizing the Establishment of Procedures to Settle Certain Pre-Petition and Post-Petition Claims and Causes of Action Without Further Court Approval, dated August 7, 2009 (Docket No. 4401, the "Settlement Procedures Order")² to enter into this Settlement Agreement, subject to the Notice Procedures.

² All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Settlement Procedures Order.

SETTLEMENT BACKGROUND

A. The Alliance Claims.

WHEREAS, Circuit City Stores, Inc. ("Circuit City") and Alliance were parties to that certain Retail Product Services and Supply Agreement, dated June 15, 2007, as amended by Amendment No. 1, dated April 29, 2008, and Amendment No. 2, dated September 15, 2008 (collectively, the "Alliance Agreements"). Pursuant to the Alliance Agreements, the Debtors, among other things, purchased certain Alliance products, including but not limited to, compact discs, digital video discs, and video games (collectively, the "Alliance Product"), for resale in their retail stores; and

WHEREAS, on December 17, 2008, Alliance filed proof of claim number 1442 against Circuit City's bankruptcy estate pursuant to Bankruptcy Code section 503(b)(9) (the "Alliance 503(b)(9) Claim"). Therein, Alliance alleged that it delivered in the ordinary course of business \$4,010,658.44 worth of Alliance Product to the Debtors within the twenty (20) days before the Petition Date for which Alliance had not been paid; and

WHEREAS, on December 17, 2008, Alliance filed proof of claim number 928 against Circuit City Stores West Coast, Inc.'s bankruptcy estate and claim number 1202 against Circuit City Stores PR, LLC's bankruptcy estate (Claim number 928 and Claim number 1202, collectively, the "Alternative Alliance 503(b)(9) Claims"). Both of these claims were filed pursuant to Bankruptcy Code section 503(b)(9). In each of the Alternative Alliance 503(b)(9) Claims, Alliance alleged that it delivered in the ordinary course of business \$4,010,658.44 worth of Alliance Product to the Debtors within the twenty (20) days before the Petition Date for which Alliance had not been paid; and

WHEREAS, on January 30, 2009, Alliance filed claim number 8960, a secured proof of claim against the Debtors' bankruptcy estates (the "Alliance Secured Claim"). Therein, Alliance claimed that it provided services to the Debtors worth \$1,028,153.34 before the Petition Date. Alliance alleged that this claim was secured by a state law carriers and warehousemen lien; and

WHEREAS, on January 30, 2009, Alliance filed proof of claim number 8315 against Circuit City Stores West Coast, Inc.'s bankruptcy estate and claim number 9833 against Circuit City Stores PR, LLC's bankruptcy estate (Claim number 8315 and Claim number 9833, collectively, the "Alternative Alliance Secured Claims"). In each of the Alternative Alliance Secured Claims, Alliance alleged that it provided services to the Debtors worth \$1,028,153.34 before the Petition Date. Alliance alleged that the Alternative Alliance Secured Claims were secured by state law carriers and warehousemen liens; and

WHEREAS, on January 30, 2009, Alliance filed claim number 9640, a general unsecured proof of claim against the Debtors' bankruptcy estates (the "Alliance General Unsecured Claim"). The Alliance General Unsecured Claim was filed in the aggregate amount of \$11,646,519. Therein, Alliance claimed that it shipped in the ordinary course of business \$10,996,107 worth of Alliance Product to the Debtors before the Petition Date. Moreover, Alliance alleged that it was entitled to (1) an additional \$600,000 for contract damages in

connection with the Alliance Agreements, and (2) an additional \$50,412 comprised of legal fees and other costs associated with a particular lawsuit involving Circuit City and Alliance; and

WHEREAS, on January 30, 2009, Alliance filed proof of claim number 9033 against Circuit City Stores West Coast, Inc.'s bankruptcy estate and claim number 8387 against Circuit City Stores PR, LLC's bankruptcy estate (Claim number 9033 and Claim number 8387, collectively, the "Alternative Alliance General Unsecured Claims" and together with the Alliance 503(b)(9) Claim, the Alternative Alliance 503(b)(9) Claims, the Alliance Secured Claim, the Alternative Alliance Secured Claims, the Alliance General Unsecured Claim, and the Alternative Alliance General Unsecured Claims, the "Alliance Claims"). In each of the Alternative Alliance General Unsecured Claims, Alliance claimed that it shipped in the ordinary course of business \$10,996,107 worth of Alliance Product to the Debtors before the Petition Date for which it had not been paid; and

B. The SIM Claims.

WHEREAS, Circuit City Stores, Inc. ("Circuit City") and SIM were parties to that certain agreement, dated July, 2006, (the "SIM Agreement"). Pursuant to the SIM Agreement, the Debtors purchased certain SIM products, including but not limited to, books and magazines, (collectively, the "SIM Product"), for resale in their retail stores; and

WHEREAS, on December 17, 2008, SIM filed proof of claim number 1345 against Circuit City's bankruptcy estate pursuant to Bankruptcy Code section 503(b)(9) (the "SIM 503(b)(9) Claim"). Therein, SIM alleged that it delivered in the ordinary course of business \$360,345.31 worth of SIM Product to the Debtors within the twenty (20) days before the Petition Date for which SIM had not been paid; and

WHEREAS, on December 17, 2008, SIM filed proof of claim number 1204 against Circuit City Stores West Coast, Inc.'s bankruptcy estate pursuant to Bankruptcy Code section 503(b)(9) (the "Alternative SIM 503(b)(9) Claim"). Therein, SIM alleged that it delivered in the ordinary course of business \$360,345.31 worth of SIM

Product to the Debtors within the twenty (20) days before the Petition Date for which SIM had not been paid; and

WHEREAS, on January 30, 2009, SIM filed claim number 9637, a general unsecured proof of claim against the Debtors' bankruptcy estates (the "SIM General Unsecured Claim"). Therein SIM claimed that it shipped in the ordinary course of business \$875,724.31 worth of SIM Product to the Debtors before the Petition Date for which SIM had not been paid; and

WHEREAS, on January 30, 2009, SIM filed proof of claim number 8308 against Circuit City Stores West Coast, Inc.'s bankruptcy estate (the "Alternative SIM General Unsecured Claim"). Therein, SIM alleged that it shipped in the ordinary course of business \$875,724.31 worth of SIM Product to the Debtors before the Petition Date for which SIM had not been paid; and

WHEREAS, on June 26, 2009, SIM filed an administrative expense claim numbered 13767 against Circuit City's bankruptcy estate (the "SIM Administrative Expense Claim"). Therein, SIM claimed that it was owed \$40,540.38 for SIM Product provided to

the Debtors on and after the Petition Date pursuant to 11 U.S.C. § 503(b)(1) of the Bankruptcy Code; and

WHEREAS, on June 26, 2009, SIM filed an administrative expense claim numbered 13765 against Circuit City Stores West Coast, Inc.'s bankruptcy estate (the "Alternative SIM Administrative Expense Claim" and together with the SIM 503(b)(9) Claim, the Alternative SIM 503(b)(9) Claim, the SIM General Unsecured Claim, the Alternative SIM General Unsecured Claim, and the SIM Administrative Expense Claim, the "SIM Claims").

Therein, SIM claimed that it was owed \$40,540.38 for SIM Product provided to the Debtors on and after the Petition Date pursuant to 11 U.S.C. § 503(b)(1) of the Bankruptcy Code; and

C. The Omnibus Objections.

WHEREAS, the Debtors have objected to the Alliance Claims and the SIM Claims in various omnibus objections; and

WHEREAS, in the Debtors' Tenth Omnibus Objection to Certain Duplicate Claims (D.I. 3513) (the "Tenth Omnibus Objection") the Debtors objected to claim 8315 as duplicative of claim 8960, the Alliance Secured

Claim. The Debtors asserted that claim 8315 should be disallowed. The Debtors also objected to the Alternative Alliance Unsecured Claims as duplicative of the Alliance Unsecured Claim. The Debtors sought to disallow the Alternative Alliance Unsecured Claims; and

WHEREAS, in the Tenth Omnibus Objection, the Debtors also objected to the Alternative SIM General Unsecured Claim as duplicative of the SIM General Unsecured Claim. The Debtors sought to disallow the Alternative SIM General Unsecured Claim; and

WHEREAS, in the Debtors' Twentieth Omnibus Objection to Claims (Reclassification to Unsecured Claims of Certain Claims Filed as 503(b)(9) Claims for Goods Received by the Debtors Not Within Twenty Days of the Commencement of the Cases) (D.I. 3704) (the "Twentieth Omnibus Objection"), the Debtors objected to the Alliance 503(b)(9) Claim on the basis that certain Alliance Product comprising a portion of the claim was received by Circuit City more than twenty days before the Petition Date. Consequently, the Debtors asserted that the Alliance 503(b)(9) Claim should be reduced by \$290,088.68, which portion should be reclassified to a

general unsecured, non-priority claim. Consequently, the Debtors alleged that the amount of the Alliance 503(b)(9) Claim should be reduced to \$3,720,569.76; and

WHEREAS, in the Debtors' Twenty-Second Omnibus Objection to Claims (Disallowance of Certain Claims Filed Against the Wrong Debtor) (D.I. 3710) (the "Twenty-Second Omnibus Objection"), the Debtors objected to certain claims because, among other reasons, the amounts and basis of the claims were filed against the wrong Debtors. More precisely, the Debtors identified creditors who filed two (2) or more proofs of claim against different Debtors, in essentially the same amount, asserting essentially the same liability, based upon the same underlying basis and claim, and asserting the same classification. The Debtors sought to disallow the claims filed against the wrong Debtor entity. As to Alliance, the Debtors sought to disallow the Alternative 503(b)(9) Claims on the basis that they were filed against the wrong Debtor entities. The Debtors identified the Alliance 503(b)(9) Claim as the surviving claim. The Debtors also objected to claim 928 as having been filed against the wrong Debtor entity. In that

instance, the Debtors identified the Alliance 503(b)(9) Claim as the appropriate surviving claim; and

WHEREAS, in the Debtors' Twenty-Third Omnibus Objection to Claims (Modification of Certain Duplicate 503(b)(9) Claims) (D.I. 3711) (the "Twenty-Third Omnibus Objection"), the Debtors objected to the SIM General Unsecured Claim on the basis that it was partially duplicative of the SIM 503(b)(9) Claim. Accordingly, the Debtors sought to reduce the SIM General Unsecured Claim by \$354,693; and

WHEREAS, in the Debtors' Twenty-Eighth Omnibus Objection to Claims (Disallowance of Certain Amended Claims) (D.I. 4277) (the "Twenty-Eighth Omnibus Objection") the Debtors objected to the Alternative SIM 503(b)(9) Claim on the basis that it was amended and/or superseded by the SIM 503(b)(9) Claim. The Debtors sought to disallow the Alternative SIM 503(b)(9) Claim; and

WHEREAS, in the Debtors' Thirty-Fourth Omnibus Objection to Claims (Modification of Certain Duplicate 503(b)(9) Claims) (D.I. 4598) (the "Thirty-Fourth Omnibus Objection", and together with the Tenth Omnibus

Objection, the Twentieth Omnibus Objection, the Twenty-Second Omnibus Objection, the Twenty-Third Omnibus Objection, and the Twenty-Eighth Omnibus Objection, the "Omnibus Objections") the Debtors objected to the Alliance General Unsecured Claim on the basis that it was partially duplicative of the Alliance 503(b)(9) Claim. Consequently, the Debtors asserted that the Alliance General Unsecured Claim should be reduced by \$3,720,569.76; and

WHEREAS, pursuant to the Court's Order dated February 23, 2009 (the "Adequate Protection Order") (D.I. 1940), Alliance received a replacement lien for its unpaid storage and carrier services that are the subject of the Alliance Secured Claim in the amount of \$1,028,153.34 (the "Replacement Lien") to replace the asserted warehouseman's lien in the Debtor's products stored by Alliance; and

D. The Responses.

WHEREAS, on June 29, 2009, Alliance and SIM filed their joint response to the Debtors' Tenth Omnibus Objection (D.I. 3844) (the "Tenth Omnibus Response"); and

WHEREAS, on July 16, 2009, Alliance and SIM filed their joint response to the Debtors' Twentieth, Twenty-Second, and Twenty-Third Omnibus Objections (D.I. 4135) (the "Twentieth, Twenty-Second, and Twenty-Third Omnibus Response"); and

WHEREAS, on August 20, 2009, SIM filed its response to the Debtors' Twenty-Eighth Omnibus Objection (D.I. 4579) (the "Twenty-Eighth Omnibus Response"); and

WHEREAS, on September 15, 2009, Alliance filed its response to the Debtors' Thirty-Fourth Omnibus Objection (D.I. 4902) (the "Thirty-Fourth Omnibus Response", and together with the Tenth Omnibus Response and the Twentieth, Twenty-Second, and Twenty-Third Omnibus Response, and the Twenty-Eighth Omnibus Response, the "Responses"); and

WHEREAS, in each of the Responses, Alliance and SIM contended that the Debtors' Omnibus Objections

were premature and that the Parties needed to engage in a complete reconciliation of all claims before the relief sought by the Debtors could be sustained. Moreover, Alliance and SIM asserted that they did not intend to receive multiple recoveries for the same liabilities owed by the Debtors, however, more information was needed before the Bankruptcy Court should disallow, reclassify, or consolidate any of the Alliance and/or SIM Claims as multiple theories of recovery existed. Because Alliance and SIM filed Responses to the Omnibus Objections, the Omnibus Objections were adjourned as to them; and

WHEREAS, on March 11, 2010, the Parties filed the Notice of Proposed Settlement and Stipulation by and Among the Debtors, Alliance Entertainment LLC, Now Known as Source Interlink Distribution, LLC, and Source Interlink Media, LLC Resolving the Debtors' Tenth, Twenty-Second, and Twenty-Eighth Omnibus Objections (D.I. 6798) (the "Initial Settlement Agreement"). Therein, the Parties agreed that upon the happening of specific defined conditions as set forth in the Initial Settlement Agreement, certain of the Alliance Claims and

SIM Claims would be disallowed. The purpose of the Initial Settlement Agreement was to eliminate multiple recoveries by Alliance and SIM with respect to any single underlying liability; and

E. The Memorandum Opinion and Order.

WHEREAS, on October 13, 2009, the Debtors filed the Debtors' Forty-Eighth, Forty-Ninth, and Fiftieth Omnibus Objection to Certain Administrative Expenses and 503(b)(9) Claims (the "Forty-Eighth, Forty-Ninth, and Fiftieth Omnibus Objections") (D.I. 5211, 5212 & 5213); and

WHEREAS, as set forth in the Forty-Eighth, Forty-Ninth, and Fiftieth Omnibus Objections, Circuit City alleged that it became entitled to certain pre- and post-petition amounts, including receivables, charge-backs, returns, and other amounts, which amounts are currently due and owing to Circuit City by various claimants but for which Circuit City had not yet received payment (the "Alleged Receivables"). Therein, the Debtors sought to setoff the Alleged Receivables from the section 503(b) administrative expense and section 503(b)(9) claims held by the claimants before

setting off against any general unsecured, non-priority claims; and

WHEREAS, Alliance and SIM filed a joint response to the Forty-Eighth, Forty-Ninth, and Fiftieth Omnibus Objections.³ Therein, Alliance and SIM argued, for various reasons, that the Debtors could not setoff Alleged Receivables against administrative expense or 503(b)(9) claims; and

WHEREAS, on December 3, 2009, the Court issued its Memorandum Opinion (Docket No. 5963) and Order (Docket No. 5964) with respect to the Debtors' Forty-Eighth, Forty-Ninth and Fiftieth Omnibus Objections to Claims. Pursuant to the Court's Order, the Court held that, subject to its further consideration and determination regarding applicable facts, the Debtors would be authorized to setoff all of their pre- and/or post-petition Receivables against Administrative Expenses (as defined in the Objections), including claims arising under Bankruptcy Code section 503(b)(9),

³ Neither Alliance nor SIM were subject to the Forty-Eighth, Forty-Ninth, or Fiftieth Omnibus Objections.

before setting off against any general unsecured claims;
and

WHEREAS, the Debtors have informally asserted that they possess Alleged Receivables in an amount exceeding \$10,000,000, which Alleged Receivables the Debtors assert they are authorized to setoff against the Alliance and SIM Claims pursuant to the Court's Memorandum Opinion and Order; and

WHEREAS, Alliance disputed the amount of the Debtors' Alleged Receivables. Moreover, Alliance asserted that it already took into account and/or recouped approximately \$5,000,000 of the Alleged Receivables in determining the amount of the Alliance General Unsecured Claim, as Alliance had the ability to link returns to each outstanding invoice comprising its General Unsecured Claim; and

F. The Source Bankruptcies.

WHEREAS, on April 27, 2009, Source Interlink Companies, Inc. and certain of its subsidiaries and affiliates, including Alliance and SIM (the "Source

Debtors"⁴), filed voluntary petitions for relief under Chapter 11 of title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware (the "Source Bankruptcies"). See Suggestion of Bankruptcy for Source Interlink Companies, Inc., et al. (D.I. 3390); and

WHEREAS, on or around, August 26, 2009, Circuit City filed Claim Number 222, a secured claim in the amount of \$3,887,327 in the Source Bankruptcies (the "Circuit City Claim"). Therein, Circuit City alleged that the Circuit City Claim was secured by a right of setoff and/or recoupment against outstanding balances allegedly owed by Circuit City to the Source Debtors; and

G. The Source Plan Objection.

WHEREAS, on November 16, 2009, Alliance and SIM filed the Limited Objection of Alliance

⁴ The "Source Debtors" are Source Interlink Companies, Inc.; AEC Direct, LLC; Automotive.com, LLC; Canoe & Kayak, Inc.; Directtough, Inc.; Enthusiast Media Subscription Company, Inc.; Motor Trend Auto Shows, LLC; RDS Logistics, LLC; Source-Chestnut Display Systems, Inc.; Source Home Entertainment, Inc.; Source Interlink Distribution, LLC; Source Interlink International, Inc.; Source Interlink Magazines, LLC; Source Interlink Manufacturing, LLC; Source Interlink Media, LLC; Source Interlink Retail Services, LLC; Source Mid Atlantic News, LLC; and The Interlink Companies, Inc.

Entertainment LLC, Now Known as Source Interlink Distribution, LLC, and Source Interlink Media, LLC to Confirmation of the Debtors' First Amended Joint Plan of Liquidation (D.I. 5750) (the "Source Plan Objection"). Therein, Alliance and SIM maintained that the Debtors should confirm that they would maintain a segregated escrow account for the Alliance Secured Claim and that the escrow account would remain in place through the effective date of the Plan. Moreover, Alliance and SIM asserted that the Plan should be clarified to assure that appropriate reserve treatment is required for any portion of any Alliance or SIM administrative expense claims subject to objection or treated as unliquidated for purposes of the Plan; and

WHEREAS, rather than proceed with litigation concerning the Alliance Claims, the SIM Claims, the Omnibus Objections, the Responses, the Circuit City Claim, the Source Plan Objection, and the Debtors' Alleged Receivables, the parties engaged in good faith, arms' length reconciliation and negotiations to resolve the foregoing in their entirety. As part of the reconciliation, Alliance asserted that it was able to

link additional Alleged Receivables to its Unsecured Claim and thus was authorized to recoup such amounts; and

NOW THEREFORE, subject to and in accordance with the Settlement Procedures Order, for good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Parties hereby STIPULATE AND AGREE AND IT IS HEREBY ORDERED that:

1. The Parties agree that (i) the Alliance 503(b)(9) Claim shall be valued at \$3,728,611.45, (ii) the Alliance Secured Claim shall be valued at and allowed in the face amount of \$1,028,153 (the "Allowed Alliance Secured Claim"), and (iii) the Alliance General Unsecured Claim shall be valued at \$16,075,599.63.⁵

2. The Parties agree that the Debtors' Alleged Receivables shall be valued at \$10,880,866.77 (the "Receivables").

⁵ The value of the Alliance General Unsecured Claim as set forth in ¶ 1 is the agreed upon gross amount of the claimed invoices that comprise the Alliance General Unsecured Claim without including any reductions, discounts, or setoffs that Alliance may have provided for in filing its proof of claim.

3. In full satisfaction and settlement of the Alleged Receivables and the Receivables, the Receivables shall be netted against (i) the Alliance 503(b)(9) Claim such that the 503(b)(9) Claim shall be reduced to and is hereby allowed as a priority claim under Bankruptcy Code section 503(b)(9) in amount of \$500,000 (the "Allowed Alliance 503(b)(9) Claim"), and (ii) the Alliance General Unsecured Claim such that the Alliance General Unsecured Claim shall be reduced to and is hereby allowed as a general unsecured non-priority claim in the amount of \$8,423,344.31 (the "Allowed Alliance General Unsecured Claim").

4. To the extent required, the automatic stay of 11 U.S.C. § 362 is lifted to permit the netting set forth in Paragraph 3 above.

5. The Parties further agree that (i) the SIM 503(b)(9) Claim shall be valued at and is hereby allowed in the face amount of \$354,693.30 as a priority claim under Bankruptcy Code section 503(b)(9) (the "Allowed SIM 503(b)(9) Claim"), (ii) the SIM General Unsecured Claim shall be valued at and is hereby allowed in the face amount of \$518,217.10 as a general unsecured

non-priority claim (the "Allowed SIM General Unsecured Claim"), and (iii) the SIM Administrative Expense Claim shall be valued at and is hereby allowed in the face amount of \$40,540.38 as an administrative expense pursuant to Bankruptcy Code Section 503(b)(1) (the "Allowed SIM Administrative Expense Claim").

6. The Allowed Alliance 503(b)(9) Claim, the Allowed SIM 503(b)(9) Claim, and the Allowed SIM Administrative Expense Claim shall be deemed "allowed" claims against Circuit City Stores, Inc. and its estate in case number 08-35653 (KRH) for all purposes, including with respect to any confirmed plan of liquidation or in any chapter 7 case of such Debtor, shall be paid on the "effective date" of any plan or as required under any chapter 7 liquidation (as applicable), and shall not be subject to further objection, offset, reduction, discount, impairment or subordination.

7. The Allowed Alliance Secured Claim shall be and hereby is deemed an "allowed" secured claim against Circuit City Stores, Inc. and its estate in case number 08-35653 (KRH) for all purposes as a secured claim pursuant to Bankruptcy Code Section 506(a),

including with respect to any confirmed plan of liquidation or in any chapter 7 case of such Debtor, shall be paid in full on the "effective date" of any plan or as required under any chapter 7 liquidation (as applicable), and shall not (i) accrue interest or (ii) be subject to enhancement on account of interest or otherwise, or objection, offset, reduction, discount, impairment or subordination. The Adequate Protection Order and Replacement Lien shall remain in full force and effect unless and until payment in full is made on account of the Alliance Secured Claim.

8. The Allowed Alliance General Unsecured Claim and the Allowed SIM General Unsecured Claim shall be and hereby are deemed "allowed" claims in case number 08-35653 (KRH) for all purposes, including with respect to any confirmed plan or as required under any chapter 7 liquidation (as applicable), and shall not be subject to further objection, offset, reduction, discount, impairment or subordination.

9. The Parties agree that the Circuit City Claim filed in the Source Bankruptcies shall be and hereby is deemed fully, finally and completely satisfied

and is hereby disallowed in its entirety. Circuit City has no right (now or hereafter) to collect on the Circuit City Claim.

10. The Parties agree that the Alternative Alliance 503(b)(9) Claims, the Alternative Alliance Secured Claims, and the Alternative Alliance General Unsecured Claims shall be and hereby are deemed disallowed in their entirety.⁶

11. The Parties agree that the Alternative SIM 503(b)(9) Claim, the Alternative SIM General Unsecured Claim, and the Alternative SIM Administrative Expense Claim shall be deemed and hereby are disallowed in their entirety.⁷

12. For the avoidance of doubt and notwithstanding anything to the contrary in this Settlement Agreement, (i) the Allowed Alliance 503(b)(9) Claim, the Allowed Alliance Secured Claim, and the Allowed Alliance General Unsecured Claim (collectively, the "Allowed Alliance Claims") shall constitute

⁶ For the avoidance of doubt, claim numbers 928, 1202, 8315, 8387, 9033, and 9833 shall be disallowed.

⁷ For the avoidance of doubt, claim numbers 1204, 8308, and 13765 shall be disallowed.

Alliance's full and final allowed claims in the Debtors' cases and Alliance shall not file or be entitled to recover on account of any other claims, (ii) the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts, including (without limitation) the Alleged Receivables, from Alliance and (iii) all objections to the Alliance Claims shall be deemed resolved.

13. Additionally, and notwithstanding anything to the contrary in this Settlement Agreement, (i) the Allowed SIM 503(b)(9) Claim, the Allowed SIM General Unsecured Claim, and the Allowed SIM Administrative Expense Claim (collectively, the "Allowed SIM Claims") shall constitute SIM's full and final allowed claims in the Debtors' cases and SIM shall not file or be entitled to recover on account of any other claims, (ii) the Debtors shall not be entitled to recover any further credits, rebates, receivables, setoffs, netting, or discounts, including (without limitation) the Alleged Receivables, from SIM and (iii) all objections to the SIM Claims shall be deemed resolved.

14. Upon the Effective Date (defined hereafter), Alliance and SIM, on behalf of themselves, and their respective successors and assigns (collectively, the "Source Parties"), and the Debtors, on behalf of themselves, and each on behalf of their respective estates, successors, and assigns (including but not limited to any trustee appointed in any of these chapter 11 cases or any successor or subsequent bankruptcy cases, any receivers and/or other custodians appointed in any action or proceeding involving the Debtors' property and the liquidating trustee under the Plan) (collectively, the "Debtor Parties"), hereby irrevocably and fully release one another from and against any and all claims or causes of action, whether now existing or later arising (including, but not limited to, causes of action under Bankruptcy Code sections 502, 542, 543, 544, 546, 547, 548, 549, 550, 553 and 558) arising from, in connection with, or relating to the Alliance Claims, the SIM Claims, the Alliance Product, the SIM Product, the Circuit City Claim, the Debtors' Alleged Receivables, the Receivables,

and/or the Alliance and SIM Agreements (this paragraph, the "Releases").

15. For the avoidance of doubt and notwithstanding anything to the contrary in this Settlement Agreement, (1) the Releases are not intended as general releases or waivers and nothing in this Settlement Agreement shall be construed as such, (2) the Releases do not release the Debtors from the Allowed Alliance Claims, the Allowed SIM Claims, their obligations under the Adequate Protection Order and (3) Alliance, SIM and the Debtors specifically acknowledge and agree that this Settlement Agreement is not intended to, and does not, release or otherwise affect in any way any actual claims or causes of action (or potential claims or causes of action similar in nature or type to such actual claims or causes of action) now or hereinafter asserted in, based on, or relating to the multi-district litigation captioned In re: TFT-LCD (Flat Panel) Antitrust Litigation, MDL No. 1827 (N.D. Cal.) and the actions consolidated therein (the "MDL Proceeding").

16. The Alliance Agreements shall be deemed terminated and rejected as of the Effective Date, and no Party shall have any liability or obligation under the Alliance Agreements.

17. The SIM Agreement shall be deemed terminated and rejected as of the Effective Date, and no Party shall have any liability or obligation under the SIM Agreements.

18. The Parties further agree that upon the Effective Date, the Source Plan Objection shall be deemed withdrawn.

19. The Parties agree that this Settlement Agreement finally resolves the Alliance Claims, the SIM Claims, the Omnibus Objections, the Responses, the Circuit City Claim, the Source Plan Objection, and the Debtors' Alleged Receivables in their entirety.

20. Neither this Settlement Agreement (including, without limitation, the terms and statements made herein), nor any statement made or action taken in connection with the negotiation of this Settlement Agreement, shall be offered or received in evidence or in any way referred to in any legal action or

administrative proceeding among or between the Parties, other than as may be necessary (a) to obtain approval of and to enforce this Settlement Agreement or (b) to seek damages or injunctive relief in connection with such approval and enforcement.

21. Each Party shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary or appropriate in conjunction with the performance of their respective obligations hereunder.

22. No provision of this Settlement Agreement is intended to confer any rights, benefits, remedies, obligations or liabilities hereunder upon any person other than the Parties, their respective successors and assigns.

23. Except where preempted by applicable Federal law, this Settlement Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Virginia without regard to any choice of law provisions.

24. This Settlement Agreement may be signed in counterpart originals and delivered by facsimile or email, which, when fully executed, shall constitute a single original.

25. This Settlement Agreement constitutes the entire agreement and understanding of the parties regarding the Agreement and the subject matter thereof.

26. The United States Bankruptcy Court for the Eastern District of Virginia shall retain exclusive jurisdiction (and the parties consent to such retention of jurisdiction) with respect to any disputes arising from or related to, or other actions to interpret, administer or enforce the terms and provisions of, this Settlement Agreement.

27. Each person or entity who executes this Settlement Agreement on behalf of another person or entity represents and warrants that he, she, or it is duly authorized to execute this Settlement Agreement on behalf of such person or entity, has the requisite authority to bind such person or entity, and such person or entity has full knowledge of and has consented to this Settlement Agreement. The representations and

warranties set forth in this paragraph shall survive execution of this Settlement Agreement.

28. This Settlement Agreement shall not be modified, altered, amended or vacated without the written consent of all parties hereto or order of the Bankruptcy Court.

29. This Settlement Agreement and all of its terms shall be effective upon the later of (i) execution by all Parties and (ii) the expiration of the applicable Notice Period (the "Effective Date").

30. This Settlement Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Parties, including without limitation any Chapter 7 trustee or the Liquidating Trustee under the Plan.

IN WITNESS WHEREOF, this Agreement is hereby
executed as of the later of the dates set forth below.

ACCEPTED AND AGREED TO BY:

CIRCUIT CITY STORES, INC.

By:

SKADDEN, ARPS, SLATE, MEAGHER & FLOM, LLP
Gregg M. Galardi, Esq.
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- and -

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- and -

MCGUIREWOODS LLP

/s/ Douglas M. Foley
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Counsel for Circuit City Stores, Inc.,
et al., Debtors and Debtors in Possession

Dated: June 14, 2010

ALLIANCE ENTERTAINMENT LLC, NOW KNOWN AS SOURCE
INTERLINK DISTRIBUTION, LLC AND SOURCE INTERLINK MEDIA,
LLC

By:

/s/ Bradford F. Englander

Bradford F. Englander, Esq. (VSB No. 36221)
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(703) 280-9081

Dated: June 14, 2010

Attorneys for Alliance Entertainment LLC, now known as
Source Interlink Distribution, LLC and Source Interlink
Media, LLC